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Whiterock Industries Ltd.  
and Subsidiaries

ANNUAL REPORT

FOR THE FISCAL PERIOD ENDED JULY 31, 1974.



# Whiterock Industries Ltd. and Subsidiaries

## THE REPORT OF THE BOARD OF DIRECTORS

### TO THE SHAREHOLDERS

We are pleased to report substantially higher sales and profits for the year ending July 31, 1974. The current year promises to be even better as development accelerates in the Peterborough area.

Land sales and other revenues totalled \$685,000, well up from \$120,000 of the year before. Net profits rose to \$76,000, against a loss of \$39,000.

This improvement was primarily due to sales of land to other developers, and to better control operating expenses and corporate overhead. The directors and executives also waived claim to last year's unpaid salaries.

As a result of the successful sales effort and cost controls, bank debt was reduced by \$67,000, considerably relieving pressure on that account.

The legal dispute over the validity of titles to Whiterock's land has been finally decided in our favour by the Ontario Court of Appeal. Although we never doubted the outcome, we were gratified to receive counsel's report that the major difficulties centering about the land titles have been solved. That this has also satisfied our auditors is reflected in their opinion on our financial statements.

We are thus pressing our claim for substantial damages against a Toronto newspaper with renewed vigour over an article printed some time ago.

The sale value of building lots has gone up considerably over the past two years. For example, lots that sold for \$3,500 are now selling for \$5,000 (43% higher!) and may soon be priced at \$6,000 or \$7,000 as the lower-priced lots are sold out.

We have discontinued bulk sales of land and are returning to our own developing so as to retain the maximum profit. We expect to be able to build and sell our own houses at less than \$40,000, while earning a good profit, because we will be creating the values ourselves. Negotiations are in progress with contractors to begin construction shortly.

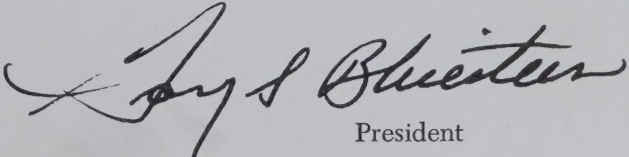
As a result of these sharply improved market conditions, it appears that the value of Whiterock's land, on the books at close to \$4 million, is considerably higher.

We thus look forward to the future with confidence and enthusiasm — in anticipation of much profitable achievement.

Sincere appreciation is extended to our employees, our shareholders and our customers for their co-operation and understanding.

Date

On behalf of the Board of Directors,



President





# AUDITOR'S REPORT

TO THE SHAREHOLDERS,  
WHITEROCK INDUSTRIES LTD.

I have examined the Consolidated Balance Sheet of Whiterock Industries Ltd. and its subsidiaries as at July 31, 1974, and the Consolidated Statements of Income and Retained Earnings for the year then ended. My examination of the financial statements of Whiterock Industries Ltd. and the subsidiaries of which I am the auditor included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances. I have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In my opinion, these financial statements present fairly the financial position of the Companies as at July 31, 1974 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada.  
October 16, 1974.

MANNY TWARD,  
Chartered Accountant.

# Whiterock Inc.

## and Subsidiaries

CONSOLIDATED

AS AT JULY 31

	1974	1973
<b>ASSETS</b>		
<b>Current</b>		
Interest and sundry receivable	\$ 4,908	\$ 11,785
Land inventory — at appraised value and market	3,814,026	4,006,038
Mortgages receivable — current portion	93,870	72,200
Prepaid expenses and sundry	6,207	17,187
Income taxes recoverable	—	9,148
	<u>\$3,919,011</u>	<u>\$4,116,358</u>
<b>Mortgages Receivable</b>	\$1,152,113	\$ 895,632
Less — Mortgage valuation reserve	<u>177,944</u>	<u>179,098</u>
	\$ 974,169	\$ 716,534
Less — Current portion above	<u>93,870</u>	<u>72,200</u>
	<u>\$ 880,299</u>	<u>\$ 644,334</u>
<b>Other</b>		
Loans and advances receivable	<u>\$ 35,647</u>	<u>\$ 32,118</u>
<b>Intangibles and Deferred Charges</b>		
Unamortized share issue costs	\$ 29,917	\$ 29,917
Sundry	<u>2,568</u>	<u>2,568</u>
	<u>\$ 32,485</u>	<u>\$ 32,485</u>
<b>TOTAL ASSETS</b>	<u><u>\$4,867,442</u></u>	<u><u>\$4,825,295</u></u>

APPROVED ON BEHALF OF THE BOARD: \_\_\_\_\_ (sgd) Gary Bluestein \_\_\_\_\_ Director

\_\_\_\_\_ (sgd) Bernard J. Kamin \_\_\_\_\_ Director

The attached notes form an integral part of these financial statements.

# Industries Ltd.

## Financial Statements

### BALANCE SHEET

December 31, 1974

#### LIABILITIES

##### Current

Bank indebtedness (Note 2)	\$ 272,393	\$ 339,434
Accounts payable and accruals	242,539	243,776
Customers' deposits	21,886	27,351
Long-term debt due within one year	159,469	53,050
	<u>\$ 696,287</u>	<u>\$ 663,611</u>

##### Long-Term

Accounts payable — roads (Note 3)	\$ 95,931	\$ 55,732
Notes payable (Note 4)	137,869	130,690
Loans and advances payable	15,478	7,828
Mortgages payable (Note 5)	227,057	244,208
	<u>\$ 476,335</u>	<u>\$ 438,458</u>

Less — Current portion above	<u>159,469</u>	<u>53,050</u>
	<u>\$ 316,866</u>	<u>\$ 385,408</u>

Deferred Income Taxes (Note 6)	\$1,944,331	\$1,938,829
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Contingent Liability (Note 7)	\$ —	\$ —
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#### TOTAL LIABILITIES

	<u>\$2,957,484</u>	<u>\$2,987,848</u>
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MINORITY INTEREST (Note 8)	<u>\$ 122,065</u>	<u>\$ 123,855</u>
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#### SHAREHOLDERS' EQUITY

##### Capital Stock

##### Authorized

15,000,000 Common shares, no par value

##### Issued

<del>2,779,755</del> Common shares	\$ 190,620	\$ 190,620
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Excess of Appraised Value of Land  
Inventory Over Cost

	1,352,125	1,395,342
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Retained Earnings (Statement 2)	245,148	127,630
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	<u>\$1,787,893</u>	<u>\$1,713,592</u>
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	<u>\$4,867,442</u>	<u>\$4,825,295</u>
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STATEMENT 1



# Whiterock Industries Ltd. and Subsidiaries

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

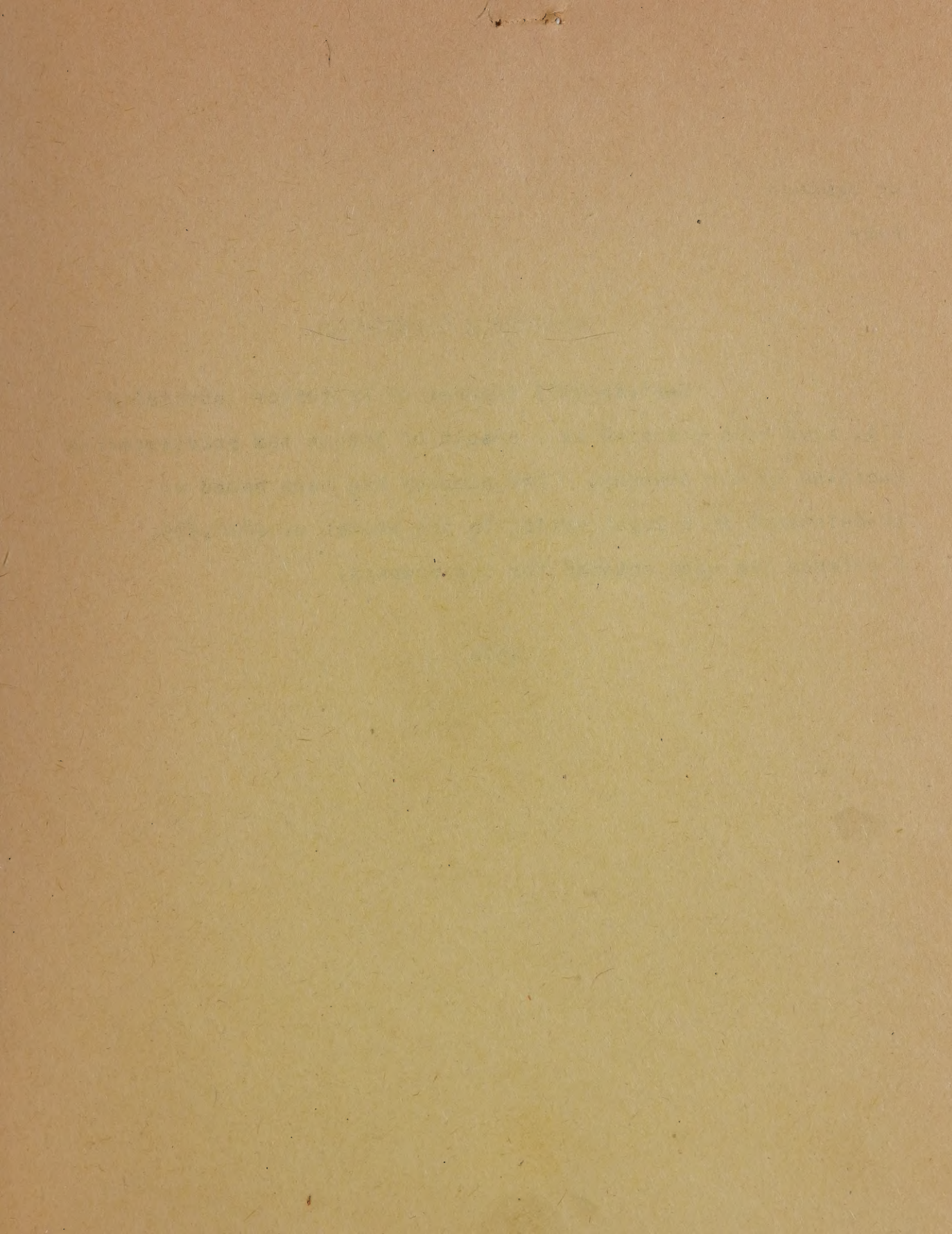
FOR THE YEAR ENDED JULY 31, 1974

	<u>1974</u>	<u>1973</u>
BALANCE — At beginnig of year, as previously stated	\$123,020	\$151,944
Add — Adjustment of prior years' income and taxes	<u>4,610</u>	<u>15,990</u>
BALANCE — At beginning of year, as restated	\$127,630	\$167,934
Add — Realized portion of appraisal surplus	43,218	1,386
— Net income (loss) for the year (Statement 3)	<u>76,232</u>	<u>(39,667)</u>
	\$247,080	\$129,653
Less — Non-deductible expenses	<u>1,932</u>	<u>2,023</u>
BALANCE — At end of year	<u>\$245,148</u>	<u>\$127,630</u>

The attached notes form an integral part of these financial statements.

STATEMENT 2







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# WHITEROCK INDUSTRIES

Certain 1973 figures of Whiterock Industries Ltd. have been restated as a result of income tax reassessments received by the company. The company has been named as co-defendant in a legal action in the amount of \$220,585. A defence has been entered for the company.





Whiterock Industries Ltd., Toronto

Year Jul 31 ~~1955~~ 76 (40) 0.027 (0.014) 685 121 .

# Whiterock Industries Ltd. and Subsidiaries

## CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED JULY 31, 1974

	<u>1974</u>	<u>1973</u>
<b>REVENUE</b>		
Sales	\$559,555	\$ —
Sundry	<u>125,578</u>	<u>120,618</u>
	<u>\$685,133</u>	<u>\$120,618</u>
<b>EXPENSES</b>		
Cost of sales	\$249,092	\$ —
Administrative and selling	293,322	74,248
Financing	<u>66,656</u>	<u>71,693</u>
	<u>\$609,070</u>	<u>\$145,941</u>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<u>\$ 76,063</u>	<u>\$(25,323)</u>
Income taxes payable (recoverable) — current	\$( 4,010)	\$ 6,741
— deferred	<u>5,577</u>	<u>14,276</u>
	<u>\$ 1,567</u>	<u>\$ 21,017</u>
<b>INCOME (LOSS) BEFORE MINORITY INTEREST</b>	\$ 74,496	\$(46,340)
Minority interest	<u>( 1,736)</u>	<u>( 6,673)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ 76,232</u>	<u>\$(39,667)</u>
Per Share	<u>2.7¢</u>	<u>(1.4¢)</u>

The attached notes form an integral part of these financial statements.

STATEMENT 3

# Whiterock Industries Ltd. and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 1974

### 1. Basis of Consolidation

The consolidated financial statements include the accounts of all subsidiary companies:

Chestwar Investments Limited	100% owned
Maplehill Estates Limited	100% owned
Nadper Holdings Limited	100% owned
Opican Developments Limited	100% owned
Verlem Investments Limited	87.5% owned
Barros Holdings Limited	75% owned

### 2. Bank Indebtedness

Bank indebtedness is secured by general assignment of book debts and assignments of mortgages receivable, as well as personal guarantees of certain principals.

### 3. Accounts Payable — Roads

Provision for road construction costs have been made at the average rate of \$300 per sold lot. It is a condition of each sale that where there are no access roads to lots sold, the installation of roads will be commenced within three years from the dates of sales.

### 4. Notes Payable

Notes payable, maturing within one year, bear interest at rates of 8% to 12% per annum.

### 5. Mortgages Payable

Mortgages payable on land bear interest at rates of 6% to 12% per annum, and in most cases there are prepayment privileges without notice or bonus, based on an average of \$150 per lot sold.

### 6. Deferred Income Taxes

Deferred income taxes provided for at full rates are comprised as follows:

Appraisal increment of land inventory	\$1,673,723
Deferred income on land sales (Section 20 (l) (n) of The Income Tax Act)	<u>270,608</u>
	<u>\$1,944,331</u>

### 7. Contingent Liability

The companies and others have been named as co-defendants in a legal action in the amount of \$220,585. A defence has been entered on behalf of the companies by their solicitors.



#### 8. Minority Interest

The minority interest consists of:

Advances from shareholders	\$ 26,997
Capital stock	50
Excess of appraised value of land inventory over cost	112,116
Deficit	(17,098)
	<u>\$122,065</u>

#### 9. Statutory Information

Executives' and directors' remuneration for the year totalled \$31,000. A prior year's accrual in the amount of \$30,000 has been waived by management in the current year.

#### 10. General

In the financial statements of July 31, 1973, the Companies reported on the allegations made by an Ontario newspaper about the titles acquired by purchasers of property from the Companies. The Companies are proceeding with the operation of their business and are pursuing their lawsuit against the newspaper for slander of title. The newspaper is defending the lawsuit.

#### 11. Comparative Figures

Certain 1973 figures have been restated as a result of income tax re-assessments received.

